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(54) Title: METHOD AND APPARATUS FOR PRODUCING REDUCED RISK LOANS

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(57) Abstract: A method and apparatus for producing reduced risk loans using assessment, monitoring and remedial techniques and lien rights as collateral in a comprehensive process designed to reduce risk associated with the making of loans. Reduction of risk is achieved by collectively utilizing four components within the invention. The first component requires the systematic application of the lender's underwriting standard using data known or readily accessible to the lender. The processing of the data associated with the borrower results in loan terms and conditions commensurate with perceived risk. The second component assures that all loan documents and related contracts are properly generated, fully executed by the borrower and received by the lender in their entirety. In the event that the borrower requires a working capital (trade) loan, "Collateral Assignment of Proceeds and Lien rights" is executed to provide the lender with additional security (collateral) to compensate the lender for perceived risk. The third component monitors compliance of the borrower with the loan's terms and conditions. If the loan is out of balance with its terms and conditions, further disbursement of proceeds is suspended until all defaults of deficiencies are cured. The fourth component occurs when a default or deficiency either is not cured within a reasonable period of time or is unable to be cured. This last component serves to perfect the lender's assigned lien rights. The utilization of all components in the administration of a loan ultimately serves to reduce risk, thus increasing the likelihood of granting credit.

## METHOD AND APPARATUS FOR PRODUCING REDUCED RISK LOANS

### BACKGROUND OF THE INVENTION

#### FIELD OF THE INVENTION

This invention generally pertains to a computerized loan administration and information management and processing system. Specifically, this invention pertains to a method for reducing risk of loss associated with any loan whereby the loan is secured with the assignment of a statutory, common law or equitable lien.

#### DESCRIPTION OF THE BACKGROUND ART

Although this invention can be used in any situation where a lender is considering the granting of credit to a borrower who is entitled to a lien, the construction industry and its professionals were specifically chosen for a description of the application of this invention due to the magnitude of need in the industry. Almost every subcontractor in a construction process is indirectly required to provide credit to the general contractor and/or architect, and each general contractor or architect is similarly required to provide credit to the owner who engages their respective service. This voluntary and involuntary extension of credit is the result of an existing trade practice that requires the contractor/subcontractor to purchase and pay for his or her construction materials and assisting labor prior to receipt of payment that is owed to that contractor/subcontractor. A subcontractor is generally paid when the general contractor is paid from a construction escrow. If the prescribed payout occurs in a timely fashion and in accordance with the

terms of the construction contract, working capital financing is usually not necessary. Unfortunately, what should happen in theory and what actually transpires in reality are consistently different.

It has become a common practice to significantly delay payment to the contractor/subcontractor until such time that his or her statutory lien right expires. Once that lien right expires, the contractor's/subcontractor's ability to enforce collection is severely impaired. The contractor/subcontractor then faces the dilemma of deciding whether to (1) pay an attorney money nearly equal to, if not greater, than the sum owed, or (2) accept a settlement significantly less than the payment due. A second problem that the contractor/subcontractor faces is his or her lack of administrative skills, although the contractor/subcontractor is generally proficient in his or her trade. However, the subcontractor lacks the ability to aggressively manage, secure and collect its accounts receivable.

With the exception of large contractors/subcontractors and material suppliers, lenders tend to avoid lending to the small - medium contractor/subcontractor for many of the reasons discussed above. Even though accounts receivable are technically considered collateral, the loan secured only by accounts receivable is by far the most insecure of secured loans. This is due to the fact that accounts receivable are quickly dissipated if received by the contractor/subcontractor or they are uncollectible after litigation. In reality, a lender's attempt to collect on a contractor's/subcontractor's accounts receivable is an act of futility with diminishing economic returns.

Even if a lender desires to provide the contractor/subcontractor with a working capital loan, that lender must recognize the difficulties it may encounter with outside entities. It is well established that most financial institutions are highly regulated by the applicable state and federal authorities. Moreover, all lending officers owe a duty of care to the shareholders of that institution

to exercise prudent lending practices. To satisfactorily fulfill their duty to the lender's regulators and shareholders, that lender must be certain that it has sufficient collateral to fully recover its outstanding principal should there be a default of the promissory note. At present, the lender must carefully examine each individual contractor/subcontractor to ascertain whether that contractor/subcontractor has sufficient personal assets to render the loan secure. In reality, most contractors/subcontractors do not have sufficient assets, in view of the fact that their business is that of a service with little or no tangible assets. A secondary concern the banking industry must address is the competitiveness in their industry. Competition to loan funds with acceptable risk has been extensive and is likely to intensify.

The final concern that the banking industry faces when financing the construction industry is the lack of standardization and supervision. Presently, there is a significant variety of contracts that exist between the property owner and general contractor; between the general contractor and subcontractor. There is an equal variety of contracts that exist between the general contractor/owner and its subcontractors and material suppliers. Each variety of contract contains conflicting and adhesive terms and conditions. Many of these terms and conditions are drafted for the benefit of the general contractor and to the disadvantage of the subcontractor/material supplier and their respective lender. The necessity of the lender reviewing each and every possible contract which provides a right for payment to secure that lender's loan is economically unfeasible. In other words, for a lender to review a construction contract to determine whether the subject contract is satisfactory usually precludes the lender from achieving an acceptable profit margin and therefore provides a basis for rejecting a loan request.

When lenders provide construction financing, the lending limit of that loan is determined in part on the value of the project itself. Lenders often use title companies and construction escrow accounts in an attempt to reduce the risk of having their security interest preempted by superior mechanic's liens. Disbursement of the lender's funds to the general contractor/subcontractor/material supplier occurs only when presentable lien waivers are tendered to the disbursing agent. However, it is a common occurrence for all of the loan proceeds to be disbursed with work remaining to be completed on the construction project, with or without cost overruns.

Presently, there is no process in place that permits the title company or construction escrow agent to assure the lender that when a certain percentage of the loan proceeds are disbursed, an equal percentage of the construction is satisfactorily completed. Moreover, there is no process in place that enables the lender to reduce risk of loss in all phases of loan administration. Achieving operating efficiencies in one phase of loan administration, such as in the computerization of the loan application, can easily be diminished along with the lender's principal if risk is not reduced in the remaining phases of loan administration.

There are several prior patents that relate to solving problems in the administration of loans. However, none of these patents address reducing the risk of loss associated with lending practices, and in particular do not address the security of loans in the construction industry. For example, *Campbell* patent 4,774,664 is a processing system that accumulates and distributes financial information online. *Lyons* patent 4,989,141 is a reporting and analysis processing system that organizes financial data into certain categories with the use of a spreadsheet to produce desired output formats. In 1993, *Jones* patent 5,239,462 issued disclosing a system wherein the approval

status of a potential borrower is automatically determined. This method involves the transmission of an image (loan application) via facsimile transmission to a lender. Pre-determined data in the facsimile image is interpreted and if applicable, the borrower is then notified of the approval. *Davidson* patent 5,699,527 proclaims to be a method and system for processing loans which serves to assist the potential borrower in preparing financial statements, loan applications and business plans for transmission to prospective lenders. To accomplish this objective, the system of the *Davidson* patent provides for bi-directional communication between the borrower and prospective lender. *Dykstra* patent 6,029,149 is a loan processing system that provides direct credit evaluation at the time of a consumer purchase. This process is automated through the pre-approval stage, at which time the potential borrower must complete the loan process directly with the lender.

Each of the disclosed systems of the above referenced patents attempts to achieve efficiencies, of which none appear to reduce risk in any significant manner. These patents reflect the computerization of processes that have been undertaken by lenders since credit became an integral part of society. The present invention stands in sharp contrast to the above referenced patents in that each and every phase of the loan administration process is specifically designed to reduce risk of loss of loan capital.

#### BRIEF SUMMARY OF THE INVENTION

Resolving the lender's concern serves to resolve the contractor/subcontractor/material supplier's concern. By providing the lender with sufficient assurance that it could recover all or at least a significant portion of its outstanding principal, interest, fees and costs in the event of a default, the lender is more inclined to provide working capital to the

contractor/subcontractor/material supplier. Similarly, assuring the construction lender that upon disbursement of all loan proceeds the construction project would be concluded without cost overruns would increase the availability of capital to the construction industry.

The present invention provides an inducement, vis-a-vis aggressive risk management, for lenders to make funds available for working capital and construction loans. Specifically, this invention provides the lender with (1) a character, financial, legal, property and project risk assessment for the prospective borrower in accordance with that lender's specific underwriting standard; (2) on-line or other loan and project documentation that is standardized and acceptable to the lender; (3) daily on-line funds disbursement and payment receipt information for any particular borrower and/or project; (4) daily on-line status, warning and deviation reports for any borrower and/or project; and (5) daily on-line documentation that serves to perfect the lender's collateral in the event of a default.

The present invention incorporates an adjustment to the lender's underwriting and securitization practice for working capital loans. In lieu of issuing a loan on the basis of the borrower's accounts receivable, the lender issues a loan on the basis of the borrower's contract with the property owner/general contractor. This modification precludes the borrower from using all of his or her working capital and accounts receivable to remain a viable business. Relying on the borrower's contract also limits the amount of outstanding principal, thus equally reducing the lender's level of risk. A secondary benefit to adjusting the lender's loan practices results from the fact that the borrower-lender relationship will be of a shorter duration, thus reducing potential lender liability

exposure. With a shorter duration of the lender-borrower relationship, the lender has the choice, but not the obligation, to renew the relationship.

The second adjustment to the lender's loan practice requires the expansion of the lender's collateral. It should be, and often is, a mandatory requirement for the lender to request and accept a collateral assignment of the borrower's accounts receivable. The more sophisticated lender additionally demands and accepts a collateral assignment of the borrower's contract, all for the purpose of securing the contract proceeds to redress a loss of principal, interest or fees. However, both types of collateral assignments neglect to secure collateral that is superior to any other type of collateral. Lenders consistently fail to collateralize the borrower's statutory and extraordinary right to lien real estate for non-payment. The present invention corrects this failure by providing a collateral transfer of the borrower's lien rights to the lender.

Should the owner or general contractor fail to pay the contractor/subcontractor/material supplier, the lender as assignee of the lien has the statutory right to lien the real estate improved by the borrower. Generally, the lender then has two years to foreclose its lien. In the event that the general contractor is at fault, the property owner will either pay the subcontractor/material supplier and seek contribution from the general contractor or force the general contractor to pay the subcontractor/material supplier. If the owner is at fault for failing to pay the general contractor/subcontractor/material supplier, the owner will eventually pay what is owed when he or she (1) converts the construction loan to an end-mortgage; (2) refinances; (3) applies for a second mortgage; or (4) sells the property to another. While the lender waits to foreclose on its mechanic's lien, interest, costs and attorney fees accrue and often become a part of the lien.



To overcome the problem of under-collateralized construction loans, the present invention provides a method of making and processing reduced risk construction loans from a lender to a property owner applicant for a construction loan and for making and processing reduced risk trade loans to general contractor, subcontractor and material supplier applicants where the trade loans are anticipated to generate lien rights, such as mechanic liens against the property, by way of example, in favor of the general contractors, subcontractors and material suppliers, wherein the ownership of the trade loan applicant's lien rights are transferred by way of assignment, power of attorney, or the like, to the lender. In one embodiment of the present invention, the loan is followed by monitoring of the construction project by means of an appropriate formula applied to each loan.

#### BRIEF DESCRIPTION OF THE DRAWINGS

FIG. 1 is a functional block diagram of an applicable apparatus and modules for performing the present invention.

FIG. 2 & 2-A are a functional flow diagram depicting the overall "risk assessment" module of the present invention.

FIG. 3 is a functional flow diagram of the loan "dissemination" module of the present invention.

FIG. 4 & 4-A is a functional flow diagram depicting the overall "monitoring" module of the present invention.

FIG. 5 is a functional flow diagram of the "construction monitoring" component of the present invention.

FIG. 6 is a functional flow diagram of the "trade monitoring" component of the present invention.

FIG. 7 is a functional flow diagram of the "on-site verification" component of the present invention.

FIG. 8 is a functional flow diagram of the "lender's intervention" component of the present invention.

FIG. 9 is a functional flow diagram of the "remedy" module of the present invention

## DETAILED DESCRIPTION OF THE INVENTION APPARATUS

**FIG. 1** is a functional block diagram of a loan risk assessment, dissemination, monitoring and remedy business method in accordance with the present invention. This invention includes a plurality of program modules executable on a computer readable medium, such as a process server **130**. The process server is typically a conventional computer with a hardware compatible operating system and storage comprising hard disk drives or other memory storage devices. The process server **130** is capable of high volume transaction processing, performing a significant number of mathematical calculations and data searches. Residing on the hard disk drives are various data files and program modules **160**, **165**, **170** and **175**. The process server's **130** storage contains data used in the processing of transactions associated with each program module. Each of the program modules **160**, **165**, **170** and **175** are integrated and interact with each other via the process server **130**. The program modules include a risk assessment module **160**, dissemination module **165**, monitoring module **170**, and remedy module **175**.

For security reasons, the present invention utilizes off-line storage **140**. All storage devices, whether associated with the process server **130** or off-line storage **140**, may include, but are not limited to, hard disk, magnetic, or optical storage units, as well as CD-ROM, DVD or mini disk drives or flash memory devices. Direct access to off-line storage **140** as well as to the process server **130** and program modules **160**, **165**, **170** and **175** may only be made by the program administrator **100** who is typically an agent of the lender. Other than the program administrator **100**, the only communication with off-line storage **140** is with the process server **130** which will transmit all data to and from historical data file **180** daily at an undisclosed random time. All communications with

the process server 130, off-line storage 140 and program modules 160, 165, 170 and 175 can only occur after passing through the applicable fire-walls 150. Each fire-wall 150 is comprised of a security/encryption program that is designed to restrict unauthorized access to data and programs.

The process server 130 communicates and interacts with selected peripheral input and output devices 100, 110 and 120. These peripheral devices are generally computers with the ability to access the Internet using public switched phone networks, such as those provided by a local or regional telephone operating company. Data transmission may also occur via cellular, dedicated data lines, Personal Communication Systems, microwave, cable or satellite networks. The primary users of the peripheral devices and the input and output devices 120 of the present invention will be borrowers/applicants 120 and financial institutions 110. Borrowers may be architects, developers, general contractors, subcontractors, material suppliers, property owners and landlords. Other than traditional banks, financial institutions 110 may also be insurance companies, securities firms and corporations. As a group, these financial institutions will be referred to lenders 110.

Each input or output device of a lender 110 may communicate directly with an input or output device 190 of a third-party vendor. The selection of the third-party vendor is at the discretion of the lender 110. Third-party vendors may be credit and mortgage reporting bureaus, public record search companies and governmental agencies. All data received from the third-party vendor is stored with the risk assessment data file 285 (FIG. 2-A), which is located in the process server 130.

## RISK ASSESSMENT MODULE

**FIGS. 2 and 2-A**, considered together, are a functional flow diagram depicting the risk assessment module 160 of the disclosed business method utilizing the hardware and software disclosed in **FIG. 1**. Initially, a potential borrower (applicant) 120 (**FIG. 1**) makes the decision that loan funds or working capital are needed. This applicant may be a property owner seeking a construction loan, or a construction professional seeking a trade loan to undertake a construction project. For the property owner, a construction loan is a conventional type of loan of reasonably short duration (usually two years or less) whereby the loan proceeds are used to pay for services and material related to the erection, improvement and/or demolition of a physical structure. A trade loan is usually acquired by a professional (architect, engineer, contractor and subcontractor to name a few) within the construction industry. Similar to the construction loan, the term of a trade loan is also of short duration. The proceeds of a trade loan are used by the construction professional to purchase the materials, equipment, supplies or labor he or she may need to complete a construction project.

At step 200 (**FIG. 2**), the applicant submits a signed loan application to the lender 110 for determination of risk. The loan application is preferably completed on a computer programmed to process the applicant's data. The computer itself may be remote, using the Internet, network or hardwired to the process server 130 (**FIG. 1**) or computer readable medium. The data received from the applicant 120 in application 200 is then forwarded to a number of risk assessments files 210; 215; 235; 245; 250 for further processing of the loan request. In addition to the loan application 200, the applicant 120 also submits payment 275 for processing of the application concerning the

potential borrower 120 and his or her company. Until such time that the applicant submits payment for processing of his or her application, the application remains dormant.

Submission of the application information may be completed in writing as well as electronically. Written information by the applicant at step 120 (FIG. 1) may be inputted into the system by either the lender at step 110 or the program administrator at step 100. The electronic transmission of data includes and is not limited to mobile commerce (wireless) speciality devices. The risk assessment module 160 gleans certain data from the loan application 200 (FIG. 2) and financial & property/project questionnaire and schedule 265 (FIG. 2-A) and stores the same into the applicable risk assessment files 210 (character); 215 (financial); 235 (property); 245 (legal) and 250 (project). Data concerning the applicant's 120 reputation, both personal and professional, is stored in the character risk assessment file 210. The applicant's 120 past and current financial data is stored in the financial risk assessment file 215. All contractual terms and conditions related to the applicant's 120 construction project are imported into the legal risk assessment file 245. The property risk assessment file 235 is used in conjunction with construction loans. Data concerning the applicant's 120 real estate is stored in the property risk assessment file 235. The project risk assessment file 250 is used when the loan application 200 reflects a trade loan request. Data concerning the applicant's 120 construction project is imported into the project risk assessment file 250.

If the applicant 120 is known 205 to the lender 110, either as an existing bank customer or as a past customer that has successfully satisfied prior loan obligations within one year or other pre-determined period of time, processing of the applicant's character data 210 and financial data 215 is waived (bypassed). If the applicant 120 is not known 205, that being that the applicant 120 is a

new customer or a past customer who has not satisfied prior loan obligations within one year, then in step 207 the new customer is assigned a loan officer of the lender 110 based upon the applicant's geographic proximity to the lender, otherwise all data concerning that past customer's character is retrieved from the risk assessment file 285 (FIG. 2-A) and processed in step 210 (FIG. 2) (character risk assessment processing). The processing of the applicant's character will result in a raw score which is then imported to step 255 (FIG. 2-A) (assessment processing). Similarly, all data concerning the applicant's financial condition is retrieved from the risk assessment file 285, processed in step 215 for a raw score and imported to step 255. Processing of steps 210 (character risk assessment) and 215 (financial risk assessment), involves a search of the applicable information for failure to satisfy certain pre-defined criteria that the lender deems unacceptable pursuant to the lender's underwriting standards 280.

At this juncture, the applicant 120 is notified via surface mail, electronic mail or facsimile transmission whether he or she was pre-approved 220 (FIG. 2) and, in those instances where the applicant 120 is a new user, notification of the lender to be assigned. Notwithstanding that the applicant 120 submitted his or her loan application electronically, notification of the applicant's acceptance or rejection must occur via surface (U.S. Postal Service) mail 225 in addition to electronic mail and facsimile transmission. Notification 225 via surface mail serves to verify the applicant's principal place of business or residence. Notification 225 also serves to instruct the applicant 120 to submit a completed financial & project/property questionnaire and schedule 265 concerning the subject project and property. The questionnaire and schedule 265 is completed, preferably on a computer, in the same fashion as the loan application. The information contained in the financial & property/project questionnaire and schedule 265 serves to describe the financial

worthiness of the potential borrower 120, nature of the property and scope of the construction project and is imported into the property and project risk assessment files 235; 250. The financial & property/project questionnaire is submitted in the context of a trade loan. Unlike a construction loan where there is usually one or two property owners (applicants) for each construction loan, a construction professional (applicant) may require many trade loans for the use and benefit of numerous construction projects.

In addition to submission of the financial & project/property questionnaire and schedule 265, the applicant 120 also submits financial statements, tax returns, and other documentation along with his or her payment of a certain sum for costs reimbursement. When the cost reimbursement payment 295 is received and processed, credit and mortgage histories, collateral, tract and judgment searches are electronically ordered from the lender's third-party vendors 190 (FIG. 1). When the lender's orders are completed 270, all reports and other documentation are transmitted to and stored in the risk assessment file 285. While the orders, reports and other documentation are contained in the risk assessment file 285, the lender 110 reviews and analyzes the applicable data for derogatory information (e.g. adverse credit transactions, judgments, liens and encumbrances). Upon review of the applicable orders, reports and other documentation, all data received from third-party vendors 190 related to the applicant 120 is retrieved from the risk assessment file 285 and segregated by the nature of the information into the various processing files 210; 215; 235; 245 and 250 for continued processing.

In the event that the applicant 120 is requesting a construction loan 230, all data relating to the property contained in the risk assessment file 285 is retrieved and processed in step 235. It is in the property risk assessment file 235 that the maximum loan amount and raw score is determined.

The raw score will be imported into step 255 (assessment processing file) and the maximum loan amount will be imported into step 290 (loan commitment).

After the applicant's request for a loan has been pre-approved 220 (FIG. 2-A) and payment for costs and application are received 275; 295, the applicant 120 submits all contracts associated with the project and/or property 270. The data received from step 270 is forwarded to step 285 (risk assessment file) and processed in step 245 (legal risk assessment file). The processing of data in step 245 (legal risk assessment file) at a minimum will include, but is not limited to, examination of the data to ascertain whether all elements of the contract have been satisfied, contract amounts, time constraints and exculpatory clauses. At step 240 if the applicable contracts and supporting documents are not received within a certain time period pre-determined by the lender 110 or the contracts failed to satisfy the lender's underwriting standards 280, all data is then forwarded to historical data file 180. The data processed in steps 245 (legal risk assessment file) and 250 (project risk assessment file) results in raw scores which are then imported to step 255 (assessment processing file).

At step 255, two processing functions are performed in each of the post pre-approval three processing files; property 235, legal 245 and project 250. The first processing function is to examine each of the above three processing files 235; 245; 250 for data that the lender 110 has pre-determined 280 to be unacceptable. If an unacceptable condition is discovered in any of the three processing files 235; 245; 250, all of the applicant's data is forwarded to historical data file 180, rejection is displayed for online viewing 300 and the relevant information is reduced to writing for management's review 305. Written notification of rejection 310 would be sent to the applicant 120



electronically and via surface mail specifying the reasons for the rejection and any other information mandated by federal or state statute.

The second processing function for all of the processing files 235; 245; 250 in step 255 involves the adjustment of the raw scores in conformity with that particular lender's underwriting standards 280. The adjusted raw scores are totaled and compared to the lender's underwriting standards 280 to determine whether the applicant's risk is acceptable for the lender. If the applicant 120 is approved in step 260, the adjusted score is further compared to the lender's interest rate table in lender's underwriting standards 280 and the corresponding interest rate is imported into step 290 (loan commitment). Generally, the greater the total adjusted score, the greater the interest rate should be to compensate for perceived risk. The loan commitment 290 preferably involves a computer assisted processing system to present an offer by way of a commitment letter to the applicant 120 to lend a certain sum of money under specified terms and conditions.

If the applicant's adjusted score 255 falls below the lender's approved range of the lender's underwriting standards 280, written notification 310 of rejection would be sent to the applicant 120 electronically and via surface mail specifying the reasons for the rejection and any other information mandated by federal or state statute. All data associated with the rejected applicant 120 is forwarded to historical data file 180, displayed for online viewing 300 and reduced to writing for management's review 305.

#### DISSEMINATION MODULE

When the signed commitment letter 290 acquiescing to the proposed loan terms and conditions is received from the applicant 120, the processes depicted in FIG 3 commences at step

315 provided that receipt of the signed commitment letter 290 (FIG. 2-A) was received by the lender 110 within the time period specified in the commitment letter 290. Failure to timely receive a signed commitment letter 290 shall cause all data associated with the applicant 120 to be stored in historical data file 180, the withdrawal of the commitment letter is displayed for online viewing 300 and the relevant information is reduced to writing for management's review 305 with no further processing to occur.

Central to the present invention is the transference of the borrower's 120 proceeds, accounts receivable and lien rights to the lender 110. The absolute or conditional transference of proceeds and lien rights may be effectuated by the borrower executing a "Collateral Assignment of Proceeds and Lien Rights" or "Assignment of Proceeds and Lien Rights" 370 (FIG. 3). For purposes of this invention, the terms "Collateral Assignment of Proceeds and Lien Rights" and "Assignment of Proceeds and Lien Rights" shall also include a Power of Attorney and/or contract, whether used individually or collectively to cause the conditional or absolute conveyance of title or interest to a statutory, equitable or common law right of the borrower 120.

If the prospective loan is a trade loan 360, either a "Collateral Assignment of Proceeds and Lien Rights" or "Assignment of Proceeds and Lien Rights" along with other documents required by the lender 110 will be generated at step 370 for the borrower's signature. Similarly, the lender 110 may also require step 370 to generate a Power of Attorney and/or contract 320 to be executed by the borrower 120. All documents referenced above will generate sufficient assurance in conjunction with the various processes contained within this invention for the lender 110 to provide trade (working capital) loans to prospective borrowers 120 (construction professionals).

Irrespective of whether the loan type is that of a trade loan or construction loan, the terms and conditions specified in the commitment letter 290 along with the applicable data contained in the borrower's loan application 200 and financial & project/property questionnaire and schedule 265 (FIG. 2-A) are imported into step 375 for computer generation of the borrower's loan documents. The borrower's loan documents 375 at a minimum will include, but are not limited, to a promissory note, loan agreement, security agreement, mortgage if applicable plus all documents referenced above. Once these documents are generated, a listing of the loan documents transmitted to the borrower 120 is imported into the lender's document table 350.

If the borrower 120 does not have electronic mail capabilities 325, all loan documents generated in step 375 are transmitted to the borrower 120 via surface mail or delivery service 355. Otherwise, all loan documents are electronically transmitted to the borrower for review and electronic signature 335.

Regardless of how the signed documents are received by the lender (surface mail/messenger service or electronically) 340, all documents received are compared against the lender's document table 350 to ascertain if all of the loan documents transmitted to the borrower 120 were received by the lender 110 without change. If step 335 is utilized, the comparison of the documents received by the lender 110 against the document table 350 is preferably undertaken by the computer. If step 355 is utilized, documents received by the lender must go through special handling 357. This special handling will include, but is not limited to, examining the loan documents for completeness, alterations and signatures. If the loan documents are not received within a specified time period 340 or if there is any discrepancy between the documents transmitted to the borrower 120 and the documents received by the lender 110, the loan documents again go through special handling 357.

The special handling step 357 in this process provides the lender 110 with the ability to override the system to apply discretionary policies with regard to the loan documents 359. Otherwise, if it is in the best interest of the lender 110 to strictly construe its underwriting standards 280, all data advances to historical data file 180; online display 300 and management reports file 305.

Whether the received loan documents are received in strict conformity with the lender's underwriting standards 280 (FIG. 2-A) or the discretion of the lender determines that deviations from the underwriting standards do not unreasonably raise the standard of risk for loss, the lender transmits the "Notice of Assignment" that was generated in step 375 to the party or parties responsible for payment, thus effectively placing that responsible party or parties on notice that all payments due and owing to the borrower 120 must be tendered 343 to the lender 110 for application to the borrower's 120 outstanding principal, interest and fees.

### MONITORING MODULE

Referring to FIGS. 4 and 4-A, after all of the borrower's signed loan documents are timely received 315 and accounted for 340, the lender 110 funds the borrower's account 400 in the amount specified in the borrower's commitment letter 290. Step 400 maintains all current information relevant to the interests of the borrower, which may be viewed by the borrower online at 300. When the borrower submits a disbursement request 450, the borrower's account 465 is accessed to determine whether there are sufficient funds to satisfy the requested amount of the disbursement. If there are available funds 405, the borrower's loan is then reviewed to determine whether it is in good status 410 (*i.e.*, disbursement of funds is not suspended). For the borrower who is a property owner, a disbursement authorization 450 may occur pursuant to the applicable contract executed

between the property owner and the construction professional 270. Similarly, for the construction professional a disbursement request 450 may occur pursuant to the terms of the applicable contract between the parties 270, and the disbursement reflects no more than an appropriate percentage of the work completed or materials purchased and delivered.

All relevant information derived from a disbursement request 450 submitted by the borrower 120 and disbursement authorization 450 submitted by the property owner will be imported into accounting data file 465. Deposits, payments, change orders and extras 470 along with information from the sworn contractor's statement, lien waivers and other documents 485 are also imported into accounting data file 465. Each and every day for every borrower and for every active loan, accounting data file 465 undertakes a multitude of calculations and comparisons. Given that time is of the essence, a high speed computer or computer readable medium is essential to this invention.

If the borrower 120 (property owner) has a construction loan 415, step 475 determines whether the status of the construction project is in balance 500 (FIG. 5) with the borrower's available funds as reflected in steps 465, 400 and 405. If the project is not in balance with the borrower's loan, disbursement of loan proceeds will be suspended 410 until the borrower 120 makes a sufficient monetary deposit to bring the project and loan back in balance with each other 470. As noted above, the deposit will be imported into accounting data file 465 as a credit. Should loan proceeds not be available for disbursement such as the completion of the construction project, all of borrower's data is transferred to historical data file 180, displayed for online viewing 300 and reduced to writing for management's review 305 (FIG. 2-A).

If the borrower 120 has a trade loan, step 420 determines whether the status of the borrower's performance is in compliance with the borrower's applicable contract 270 (FIG. 2-A)

and whether payment is being made for services rendered and materials supplied 470. If the borrower's performance is not in compliance with the applicable contract 270 or should the party responsible for making payment fail to do so, disbursement of borrower's loan proceeds will be suspended 410 until such time that the borrower's performance is aligned with the funds available for disbursement 405 or until payment is received from the responsible party. All payments for services rendered and materials supplied will be imported into accounting data file 465 as a credit.

A loan is considered balanced with the project when the amount of loan proceeds disbursed is equal to or less than the sum of all applicable lien waivers submitted, which is equal to or less than the applicable amount reflected on the sworn contractor's statement 485, with the total sum of the sworn contractor's statement 485 being equal to the contract amount adjusted for changes and extras which is equal to the project "percent of completion." At the lender's choice 425; 440; 280 and for all types of loans (construction & trade), the project's "percent of completion" may be independently verified on site (FIG. 7).

Should the project's "percent of completion" be approved by the lender or an architect, an invoice, lien waiver and loan analysis will be generated 445 (FIG. 4-A) for the borrower 120. Data for the invoice and lien waiver is derived from the borrower's disbursement request 450. The invoice and lien waiver will be transmitted to the party responsible for payment by borrower 120. Information for the borrower's loan analysis will be derived from accounting data file 465 and sent to the borrower 120 at step 460.

If the applicable monitoring functions of the construction 475 and trade 420 loans reflect that the funds disbursement 450 is in balance with the construction "percent of completion", the borrower's disbursement request 450 is approved 430 at which time the loan proceeds sum contained

in accounting data file 465 will be debited by the amount of the requested disbursement 435 after the lender 110 or title company (agent of the lender) is provided the borrower's 120 lien waivers 485. For a supply trade (building materials) loan, payment is sent directly to the party from whom the borrower 120 purchased the construction materials 455. For all trade loans, payment is first applied against the interest, fees and then outstanding principal of the borrower's loan at steps 400, 465, and 470. For construction loans, payment is made to the party noted in the borrower's disbursement request 450 which is generally the general contractor, architect or disbursing agent. At this juncture, all relevant information is transmitted to historical data file 180, is displayed for online viewing 300 and is reduced to writing for management's review 305.

### CONSTRUCTION MONITORING

FIG. 5 illustrates a formula comprising a series of mathematical calculations and data comparisons to ascertain whether the construction loan is in balance 500. Data contained in accounting data file 465 will be retrieved for use in the contemplated mathematical calculations and data comparisons. For purposes of this embodiment, a construction loan is in balance when the contemplated mathematical calculations and data comparisons show that all of the following are true:

Sum of loan proceeds disbursed plus the disbursement request amount is less than or equal to the sum of the lien waivers; and

Sum of the lien waivers is less than or equal to the total amount listed on the sworn contractor's statement; and

Total sworn contractor's statement is less than or equal to the total contract amount plus or minus extras and changes.

If all of the above factors are true, then computer processing of the applicable construction loan resumes after step 420 (FIG. 4) (trade loan monitoring) and prior to step 425 (FIG. 4-A) (on-site verification). Should it be discovered that the construction loan is out of balance, the loan proceeds are immediately suspended 410 (FIG. 4). Step 505 then calculates the additional sum of monies or labor needed to bring the loan back into balance. The suspension of loan proceeds 410 continues until the deficiency is cured at step 515 and all relevant data is transmitted to historical data file 180.

In addition to ascertaining whether the construction loan is in balance 500, any difference or variation noted between the current and previously submitted contract(s) 270, lien waiver(s) or sworn contractor statement(s) 485 will be stored in historical data file 180.

Lender 110 notifies the borrower 120 via electronic mail, surface mail and/or facsimile transmission of the exact nature and measure needed to cure the deficiency 510. Also contained in the notification to the borrower 120 is a request to cure the deficiency within a pre-determined period of time as prescribed by the lender's underwriting standards 280. If the correct amount of funds or labor is received by the lender 110 within a certain period of time 515, the suspended loan proceeds will be released 520 at which time the applicable construction loan resumes processing after step 420 (trade loan monitoring) and prior to step 425 (on-site verification).

If the deficiency is not timely corrected, the suspension of loan proceeds remains and the lender 110 must personally intervene in the matter 525. If the lender 110 cannot resolve the deficiency with the borrower 120, or at the lender's choice, the remedy module may be invoked (FIG. 8 & 9).



## TRADE LOAN MONITORING

Referring to FIG. 6, the trade loan monitoring process begins with ascertaining whether the borrower 120 is named or listed on the last submitted sworn contractor's statement 600. If the borrower's name is not listed on the last sworn contractor's statement, all remaining loan proceeds are suspended 410 (FIG. 4) from further disbursement, the data is recorded in historical data file 180, displayed for online viewing 300, reduced to writing for management's review 305 and sent to special handling for the lender's 110 personal intervention into the matter 525.

FIG. 6 utilizes a formula comprising a series of mathematical calculations and data comparisons to ascertain whether the trade loan is in balance 605. Data contained in accounting data 465 will be used in the contemplated mathematical calculations and data comparisons. For purposes of this embodiment, a trade loan is in balance when the contemplated mathematical calculations and data comparisons show that all of the following are true:

Sum of loan proceeds disbursed to the borrower plus the borrower's disbursement request amount is less than or equal to the sum of the borrower's lien waivers; and

Sum of the borrower's lien waivers is less than or equal to the borrower's total amount listed on the sworn contractor's statement; and

Borrower's project percent-of-completion is equal to or greater than the percent of loan proceeds disbursed plus the contemplated disbursement request; and

Borrower's sworn contractor's statement amount is less than or equal to the total borrower's contract amount plus or minus extras and changes.

If all of the above four factors are true, then processing of the applicable trade loan resumes after step 420 (trade loan monitoring) (FIG. 4) and prior to step 425 (on-site verification) (FIG. 4-A). Should it be discovered that the trade loan is out of balance, step 410 suspends the disbursement of loan proceeds. The borrower 120 is notified of the suspension and deficiency via electronic mail, surface

mail and/or facsimile transmission 615. If the deficiency is not cured 620 by the borrower 120 within a pre-determined period of time, suspension of loan proceeds remains and the lender 110 must intervene in the matter 525. If the lender 110 cannot resolve the deficiency with the borrower 120, or at the lender's choice, the remedy module (FIG. 9) may be invoked. If the deficiency is cured 620, then the suspended funds are released at step 520.

When it is determined that the trade loan is not in balance 605 or if the loan proceeds are suspended 410 or should it become necessary that the lender 525 must intervene, relevant data is transmitted to historical data file 180, with the relevant information viewable online 300 and reduced to writing for management's review 305.

In addition to ascertaining whether the trade loan is in balance 605, any difference or variation noted between the current and previously submitted contract(s), lien waiver(s) or sworn contractor statement(s) as to the borrower 120 will also be stored in historical data file 180, viewable online 300 and reduced to writing for management's review 305.

### ON-SITE VERIFICATION

Pursuant to the Lender's underwriting standards 280 and inspection/verification parameters 440, the Lender 110 or a third-party inspector may receive electronic mail with data obtained from the risk assessment file 285 to conduct an on-site inspection and verification of the project site 700 (FIG. 7). The inspector inspects the site for differences between the project site itself and the information concerning the project reported on the disbursement or authorization request 450. The inspector determines and memorializes (photographs) the project's "percent-of-completion" 705 within a reasonably short period of time after the lender 110 receives borrower's disbursement

request 450. The inspector may use either a digital video or digital still camera or other photographic device, whether fixed or wireless transmission, depending on the nature of the project. It is within the lender's discretion to waive the on-site verification or to require the borrower 120 to secure video documentation and to complete and submit the applicable reports.

The photography and the inspector's contemporaneous notes and all other relevant recorded information are downloaded into the system at step 710. Shortly thereafter, the inspector prepares his or her final report for the lender, with attached supporting documentation 715. This report is then imported into the risk assessment file 285 for online viewing 720. The lender 110 will also have the ability to add his or her commentary to the inspection/verification report.

Should either lender's architect/engineer 730 or the lender 110 disapprove the inspector's final report at step 725, the loan proceeds are immediately suspended 410. Notification of deficiency and suspension is sent to the borrower 120 via electronic mail, surface mail and/or facsimile transmission 740. If the reported deficiency is not cured 745 within a time period prescribed by the lender's underwriting standards 280, the matter is referred to the lender 110 for special handling 525. It is the lender's choice at this point in the process as to whether the remedy module should be invoked. (FIG. 9). If the lender 110 and lender's architect/engineer approve 725 and 730 the inspector's final report, or the reported deficiency is cured 745, the suspension of loan proceeds is released 520. Thereafter, the monitoring of the applicable loan resumes after step 425 (FIG. 4-A) (on-site verification) and prior to step 430 (FIG. 4-A) (disbursement approval).

### LENDER'S INTERVENTION

Throughout the monitoring function of the present invention, lender's intervention becomes necessary under certain conditions. The process depicted in FIG. 8 is specifically designed to provide the lender with flexibility concerning the handling of the lender's customer. With the proper level of authority, an officer of the lender 805 may override any suspension of funds that may be in place 800. If the lender does not choose to override the suspension 800, perfection of the lender's security interest commences at step 810 and step 900 (FIG. 9). Otherwise, the matter goes back to the lender 815 for that lender to again make the decision to override the pending suspension of loan proceeds 800. This process continues until the lender decides either to perfect its security interest 810 or to resume monitoring after step 425 (on-site verification) and prior to step 430 (disbursement approval) (FIG. 4-A). Each time the lender makes the choice to either perfect or to resume monitoring, all relevant data is transmitted to historical data file 180, displayed for online viewing 300 and the same is reduced to writing for management's review 305.

### REMEDY MODULE

The process of FIG. 9 commences with the generation and mailing of a demand letter 900 from the lender to the party responsible for payment of services and material to the borrower 120. Information for the demand letter is derived from the risk assessment file 285. If payment is not received within a time period 905 prescribed by the lender's underwriting standards 280 following the mailing of the demand letter 900, a "Notice of Lien" will be generated and mailed 910. If payment is not received within the time period 915 prescribed by the lender's underwriting standards 280 after the generation and mailing of the "Notice of Lien" 910, a mechanic's lien 930 will be

generated, mailed and recorded with the Recorder/Register of Deeds in the county in which the project was located 920. The time period that the lender waits before generating a "Notice of Lien" 910 or mechanic's lien 920 is governed by applicable state statute contained in the mechanic's lien table 960. The time constraints contained in the mechanic's lien table may only be shortened by the lender pursuant to that lender's specific underwriting standard 280 . Each time a demand letter 900, "Notice of Lien" 910 or mechanic's lien 920 and release of mechanic's lien 930 is generated and mailed, all relevant data is transmitted to historical data file 180, displayed online 300 and reduced to writing for management's review 305.

If payment is received after the demand letter 900, "Notice of Lien" 910 or generating, mailing, and recording mechanic's lien 920, accounting data file 465 is searched to determine whether there are loan proceeds still available 940 for the borrower 120. Payment following the recordation of a mechanic's lien 925 will result in the generation of a release of mechanic's lien 930, which is subsequently mailed to the property owner 935.

Should the lender 110 fail to receive payment after the recordation of a mechanic's lien 925, the matter is referred to the lender for special handling 525. In the event that loan proceeds are still available for disbursement, the suspension of loan proceeds is released 520. The loan proceeds may be disbursed to the applicable individual or entity via wire, credit, mail, or electronic transfer. Thereafter, monitoring resumes after step 425 (on-site verification) and prior to step 430 (disbursement approval) (FIG. 4-A). If there are no loan proceeds available for further disbursement, the entire process is concluded 950.

The foregoing description of a preferred embodiment of the invention has been presented for purposes of illustration and description, and is not intended to be exhaustive or to limit the invention to the precise form disclosed. The description was selected to best explain the principles of the invention and practical application of these principals to enable others skilled in the art to best utilize the invention in various embodiments and various modifications as are suited to the particular use contemplated. It is intended that the scope of the invention not be limited by the specification, but be defined by the claims set forth below.

## CLAIMS

I claim:

1. A method for making and processing reduced risk construction loans from a lender to a property owner applicant for a construction project and for making and processing reduced risk trade loans to general contractor, sub-contractor, and material supplier applicants, said trade loans anticipated to generate lien rights against the property in favor of general contractors, sub-contractors, and material suppliers, comprising: transferring the ownership of the trade loan applicant's lien rights to the lender.
2. The method of claim 1 wherein transferring the ownership of the trade loan applicant's lien rights includes creating an assignment of said lien rights.
3. The method of claim 1 wherein transferring the ownership of the trade loan applicant's lien rights includes creating a power of attorney document.
4. The method of claim 1, further comprising monitoring activity related to the construction loan and trade loans by means of an appropriate formula applied to each loan.
5. A method for making and processing reduced risk construction loans from a lender to a property owner applicant for a construction project and trade loans to general contractor, subcontractor, and material supplier applicants comprising:
  - a. storing data obtained from a completed loan application;
  - b. storing data obtained from a completed financial/property/project questionnaire;
  - c. processing the data to determine risk assessment;
  - d. calculating the applicant's interest rate based upon the processing of the data;

- e. notifying the applicants of the terms and conditions of the construction loan and trade loans;
  - f. transferring the ownership of the trade loan applicant's lien rights to the lender;
  - g. monitoring activity related to the construction loans and trade loans by means of an appropriate formula applied to each loan;
  - h. verifying the progress of completion of the construction project by inspection/verification of the construction project; and
  - i. disbursing loan proceeds at times corresponding to stages of completion of the construction project.
6. The method of claim 5 wherein the step of processing the data to determine risk assessment comprises:
- a. determining character risk of the applicant;
  - b. determining financial risk of the applicant;
  - c. determining legal risk of the applicant;
  - d. determining construction project risk.
7. The method of claim 5 wherein the step of processing the data to determine risk assessment includes the determination of raw scores from the data.
8. The method of claim 7 including the additional step of adjusting the raw scores to conform with underwriting standards of the lender.
9. The method of claim 8 including the additional step of calculating the applicant's interest rate based upon the adjusted raw scores and the lender's underwriting standards.



10. The method of claim 5 including the step of generating loan documents following the step of notifying the applicants of the terms and conditions of the construction and trade loans.
11. The method of claim 5 wherein the step of transferring the ownership of the trade loan applicant's lien rights to the lender includes an assignment of said lien rights.
12. The method of claim 5 wherein the step of transferring the ownership of the trade loan applicant's lien rights to the lender includes creating a power of attorney document.
13. A computer readable medium having software for generating and processing reduced risk construction loans from a lender to a property owner applicant for a construction project and for generating and processing reduced risk trade loans from a lender to a general contractor, sub-contractor, and material supplier applicants, said trade loans anticipated to generate lien rights against the property in favor of general contractors, sub-contractors, and material suppliers, the software comprising logic configured to prepare documents transferring the trade loan applicant's lien rights to the lender.
14. The computer readable medium of claim 13 wherein the logic configured to prepare documents transferring the trade loan applicant's lien rights to the lender is configured to create an assignment of said lien rights.
15. The computer readable medium of claim 13 wherein the logic configured to prepare documents transferring the trade loan applicant's lien rights to the lender is configured to create a power of attorney document.
16. The computer readable medium of claim 13 including additional logic configured to apply an appropriate formula to each loan to monitor activity related to the construction loan and trade loans.

17. A computer readable medium having logic configured for generating and processing reduced risk construction loans from a lender to a property owner applicant for a construction project and for generating and processing reduced risk trade loans from a lender to general contractor, subcontractor, and material supplier applicants, said trade loans anticipated to generate lien rights against the property in favor of general contractors, sub-contractors, and material suppliers, said logic configured to prepare documents transferring the trade loan applicant's lien rights to the lender.
18. The computer readable medium of claim 17 wherein the logic configured to prepare documents transferring the trade loan applicant's lien rights to the lender is configured to create an assignment of said lien rights.
19. The computer readable medium of claim 17 wherein the logic configured to prepare documents transferring the trade loan applicant's lien rights to the lender is configured to create a power of attorney document.
20. The computer readable medium of claim 17 including additional logic configured to apply an appropriate formula to each loan to monitor activity related to the construction and trade loans.
21. A computer readable medium having software for generating and processing reduced risk construction loans from a lender to a property owner applicant for a construction project and for generating and processing reduced risk trade loans from a lender to general contractor, subcontractor, and material supplier applicants, the software comprising logic configured to:
- a. store data obtained from a completed loan application;
  - b. store data obtained from a completed financial/property/project questionnaire;
  - c. process the stored data to determine risk assessment;
  - d. calculate the applicant's interest rate based upon the processing of the data;

- e. prepare notices to be sent to the applicants of the terms and conditions of the construction and trade loans;
  - f. prepare documents transferring the trade loans applicant's lien rights to the lender;
  - g. apply an appropriate formula to each loan to monitor activity related to the construction loan and trade loans;
  - h. store data relating to the progress of completion of the construction project by inspection/verification of the construction project; and
  - i. disburse loan proceeds at times corresponding to stages of completion of the construction project.
22. The computer readable medium of claim 21 wherein the logic to process the stored data to determine risk assessment is further configured to:
- a. determine character risk of the applicant;
  - b. determine financial risk of the applicant;
  - c. determine legal risk of the applicant; and
  - d. determine construction project risk.
23. The computer readable medium of claim 21 wherein the logic configured to process the data to determine risk assessment includes logic configured to determine raw scores from the data to determine risk assessment.
24. The computer readable medium of claim 23 including additional logic configured to adjust the raw scores to conform with underwriting standards of the lender.

25. The computer readable medium of claim 24 including additional logic configured to calculate the applicant's interest rate based upon the adjusted raw scores and the lender's underwriting standards.
26. The computer readable medium of claim 21 including further logic configured to generate loan documents subsequent to the preparation of notices to be sent to the applicants notifying the applicants of the terms and conditions of the construction and trade loans.
27. The computer readable medium of claim 21 wherein the logic configured to prepare documents transferring the trade loan applicant's lien rights to the lender is configured to create an assignment of said lien rights.
28. The computer readable medium of claim 21 wherein the logic configured to prepare documents transferring the trade loan applicant's lien rights to the lender is configured to create a power of attorney document.
29. A computer readable medium having logic configured for generating and processing reduced risk construction loans from a lender to a property owner applicant for a construction project and for generating and processing reduced risk trade loans from a lender to general contractor, sub-contractor, material supplier applicants, said logic configured to:
- a. store data obtained from a completed loan application;
  - b. store data obtained from a completed financial/property/project questionnaire;
  - c. process the stored data to determine risk assessment;
  - d. calculate the applicant's interest rate based upon the processing of the data;
  - e. prepare notices to be sent to the applicants of the terms and conditions of the construction and trade loans;

f. prepare documents transferring the trade loan applicant's lien rights to the lender;

g. apply an appropriate formula to each loan to monitor activity related to the construction loan and trade loans;

h. store data relating to the progress of completion of the construction project by inspection/verification of the construction project; and

i. disburse loan proceeds at times corresponding to stages of completion of the construction project.

30. The computer readable medium of claim 29 wherein the logic to process the stored data to determine risk assessment is further configured to:

- a. determine character risk of the applicant;
- b. determine financial risk of the applicant;
- c. determine legal risk of the applicant; and
- d. determine construction project risk.

31. The computer readable medium of claim 29 wherein the logic configured to process the data to determine risk assessment includes logic configured to determine raw scores from the data to determine risk assessment.

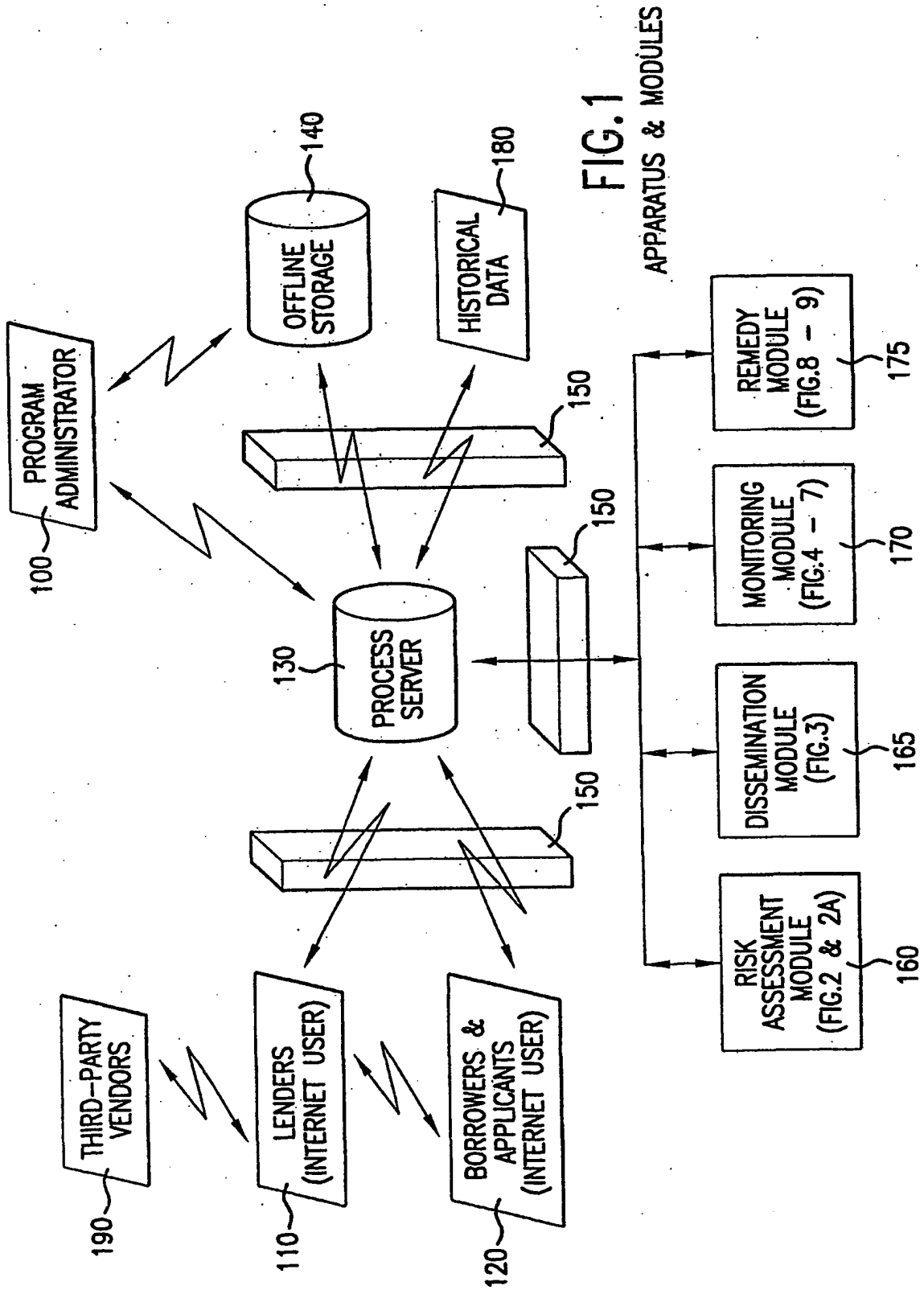
32. The computer readable medium of claim 31 including additional logic configured to adjust the raw scores to conform with underwriting standards of the lender.

33. The computer readable medium of claim 32 including additional logic configured to calculate the applicant's interest rate based upon the adjusted raw scores and the lender's underwriting standards.

34. The computer readable medium of claim 29 including further logic configured to generate loan documents subsequent to the preparation of notices to be sent to the applicants notifying the applicants of the terms and conditions of the construction and trade loans.

35. The computer readable medium of claim 29 wherein the logic configured to prepare documents transferring the trade loan applicant's lien rights to the lender is configured to create an assignment of said lien rights.

36. The computer readable medium of claim 29 wherein the logic configured to prepare documents transferring the trade loan applicant's lien rights to the lender is configured to create a power of attorney document.



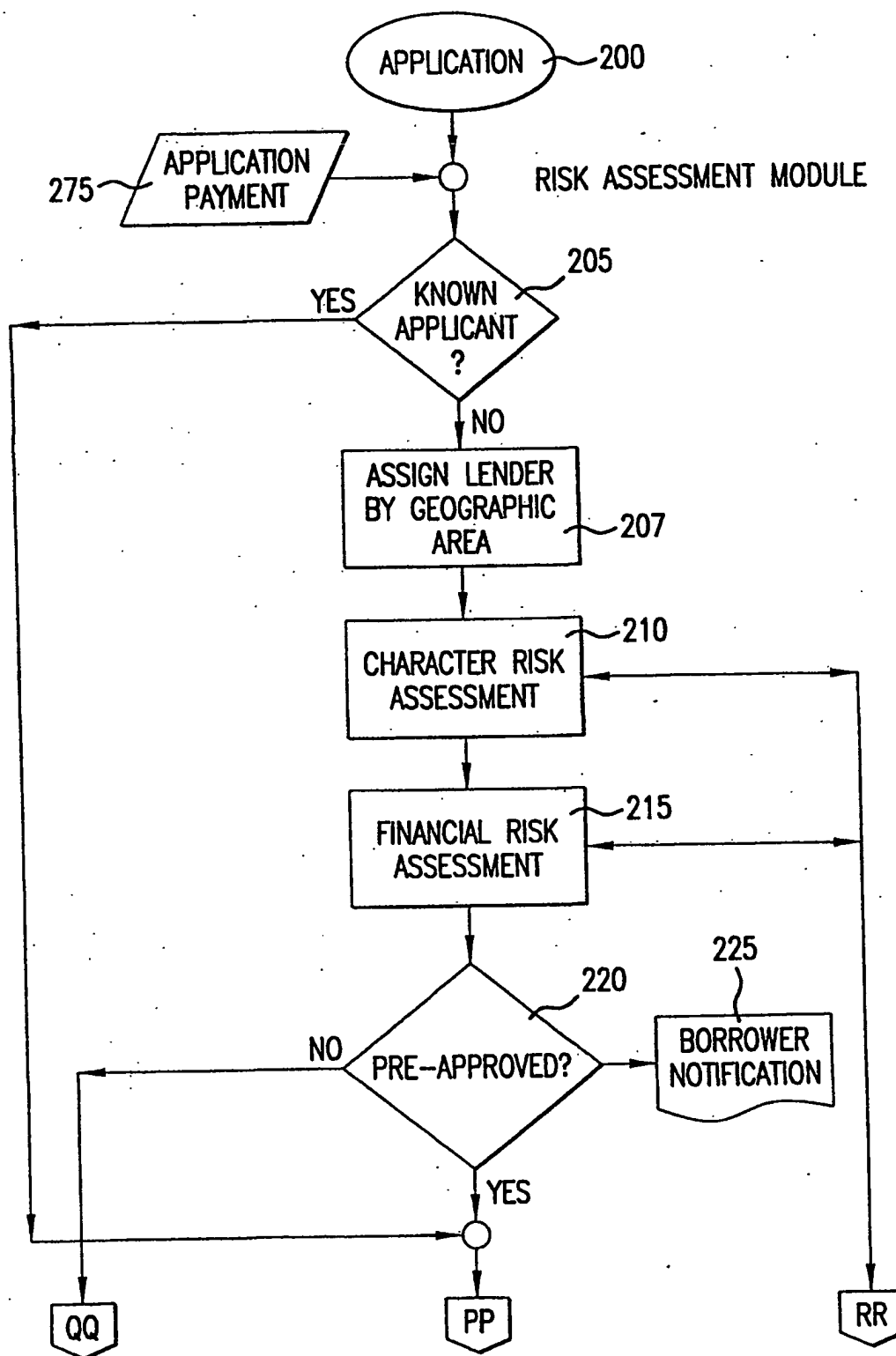


FIG.2



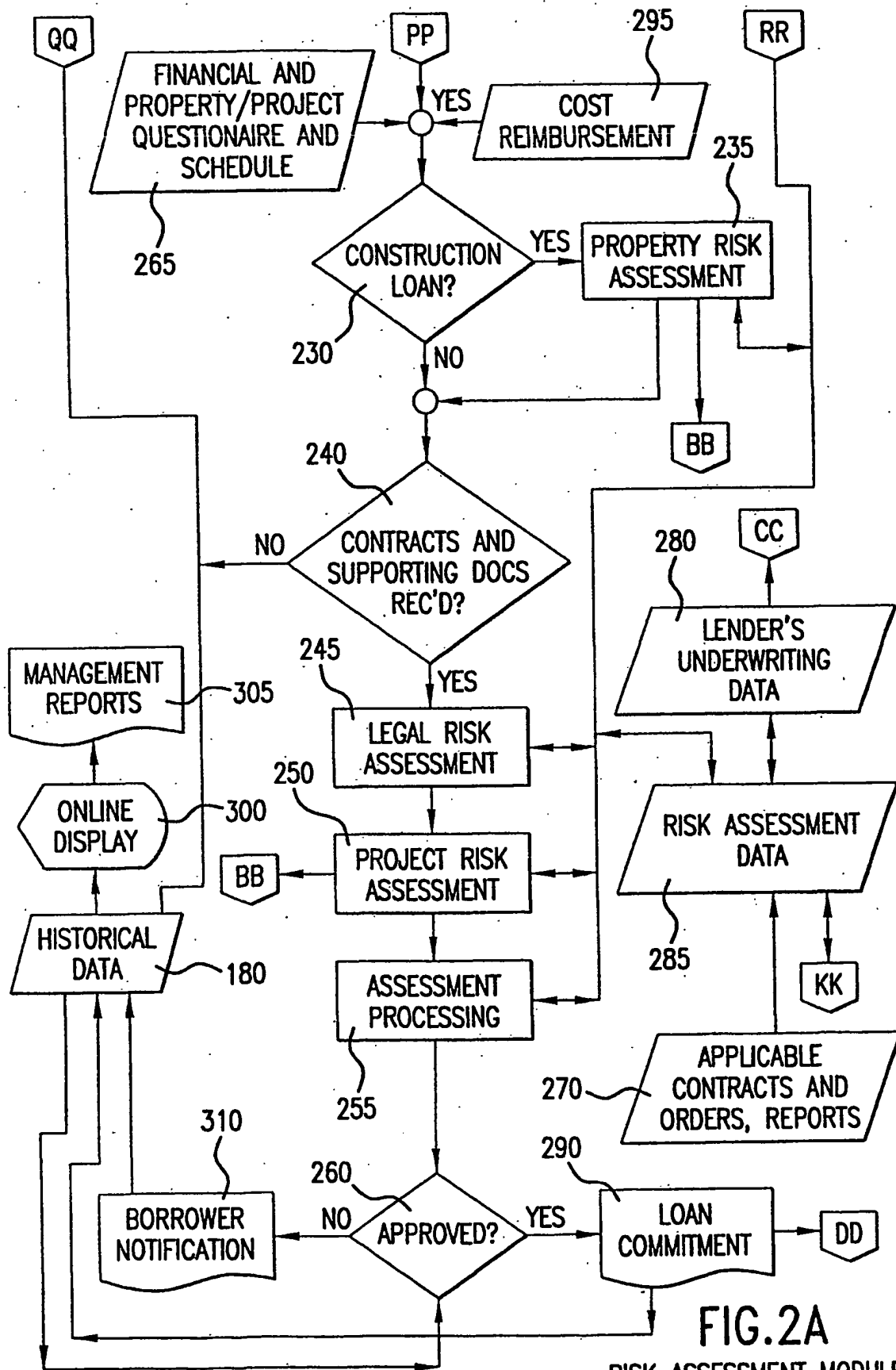
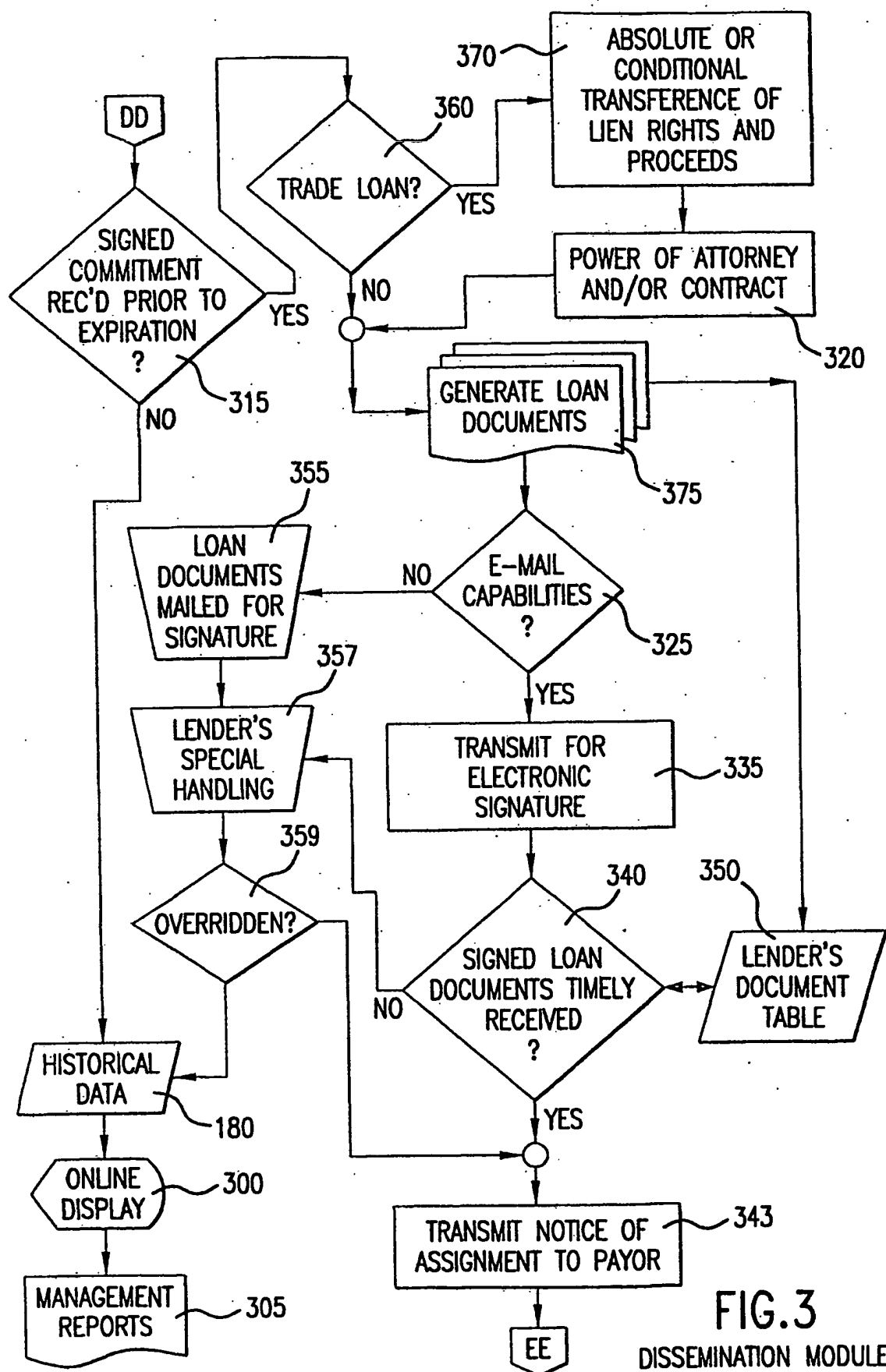


FIG. 2A  
RISK ASSESSMENT MODULE



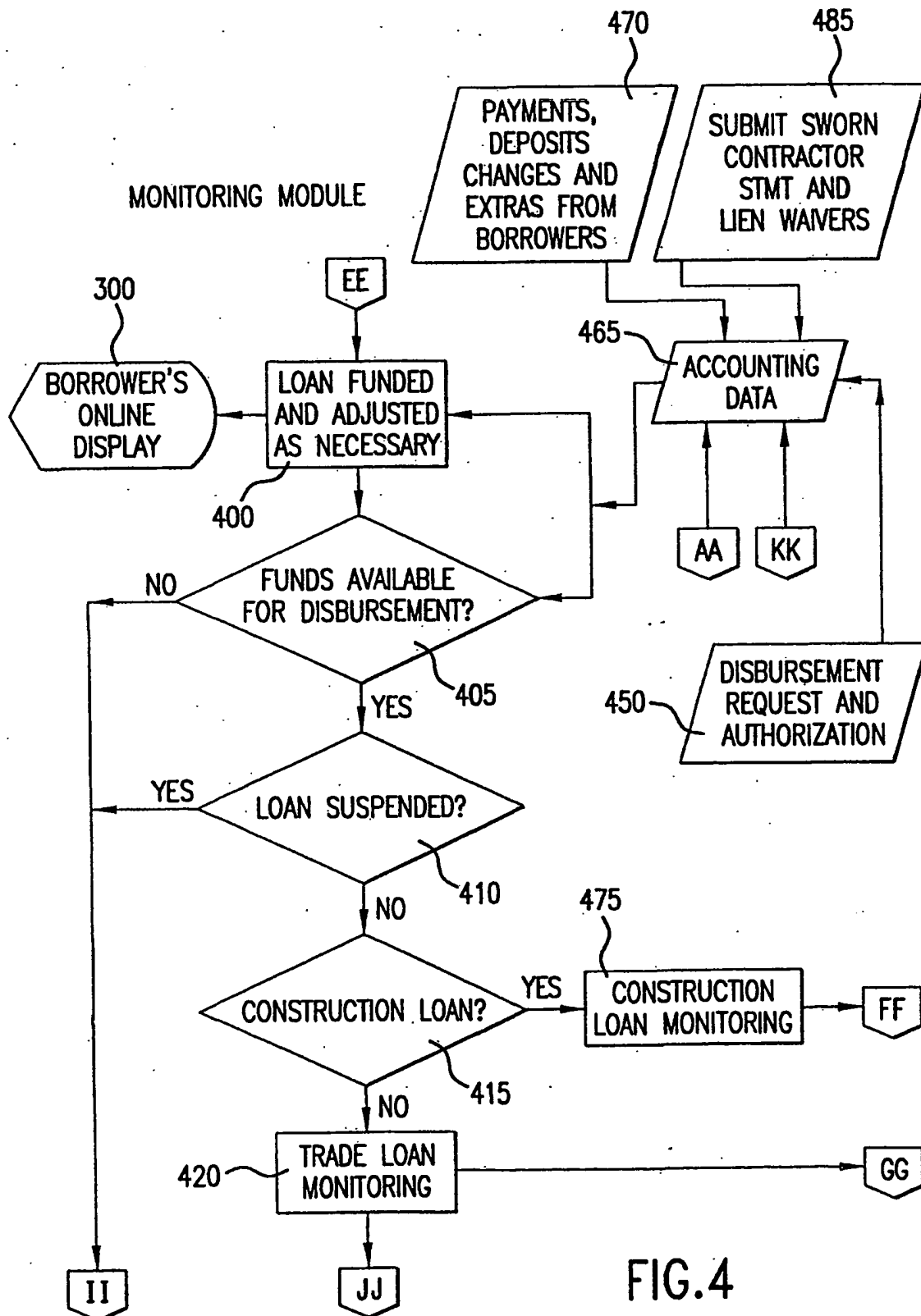


FIG.4

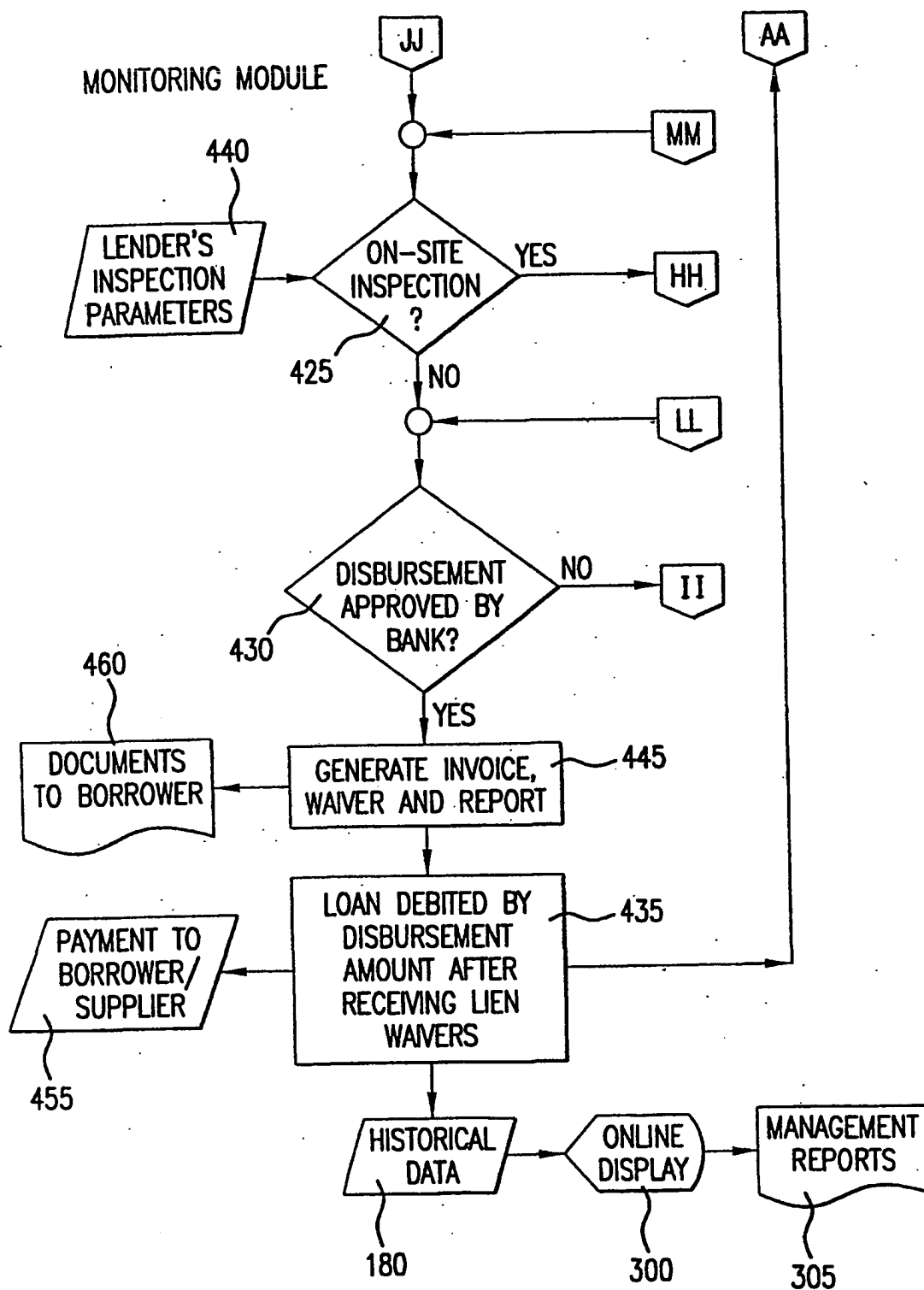


FIG.4A

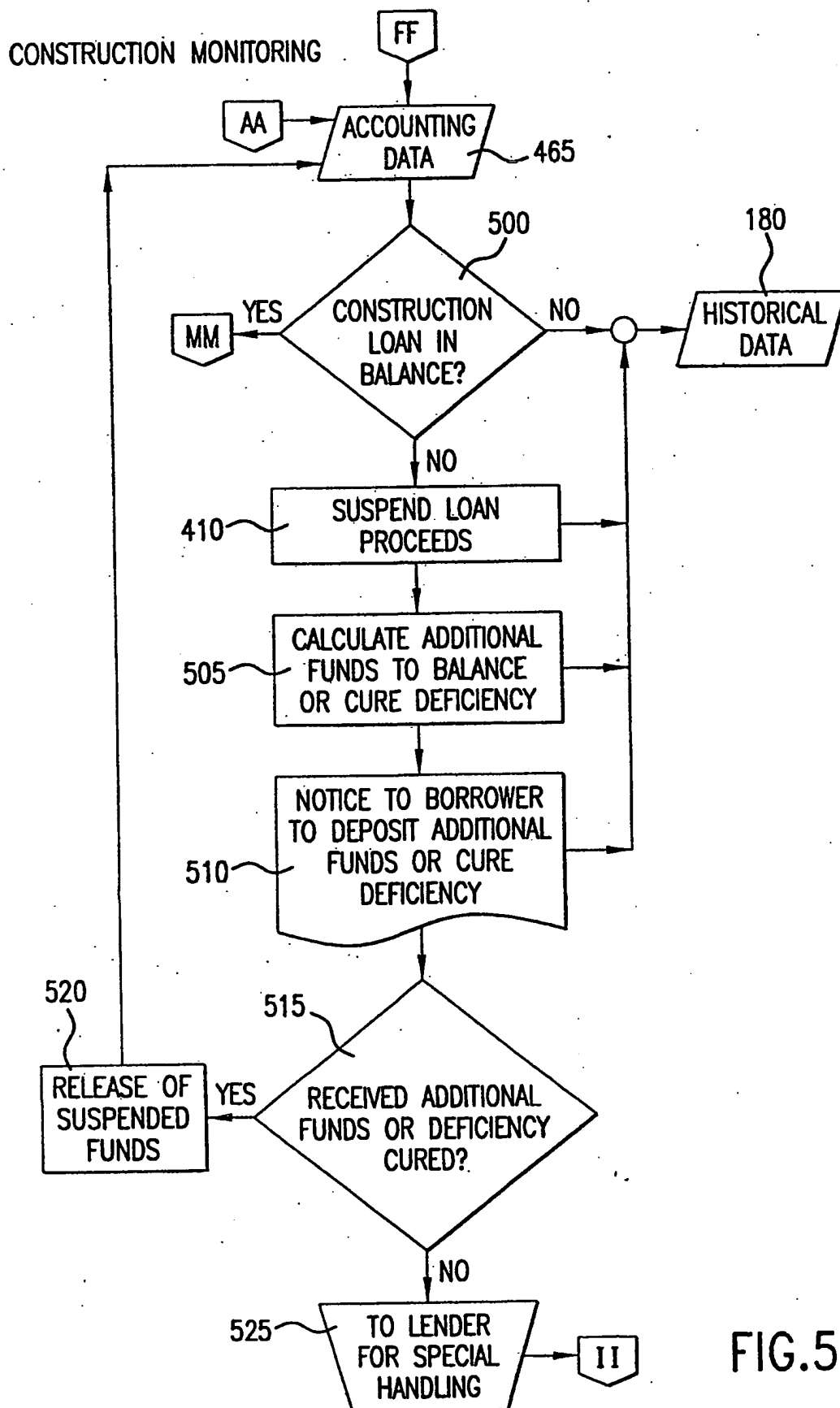


FIG.5

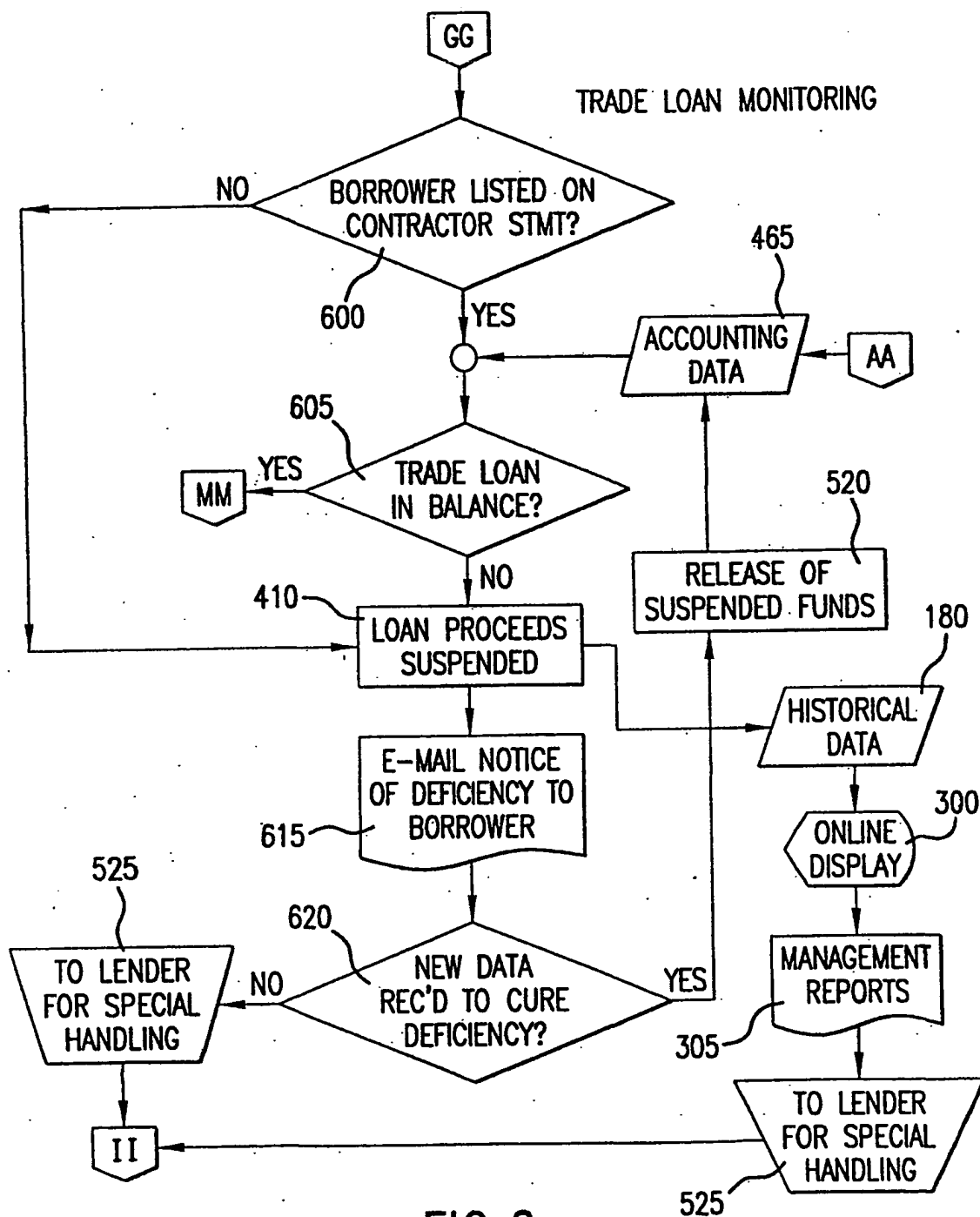


FIG.6

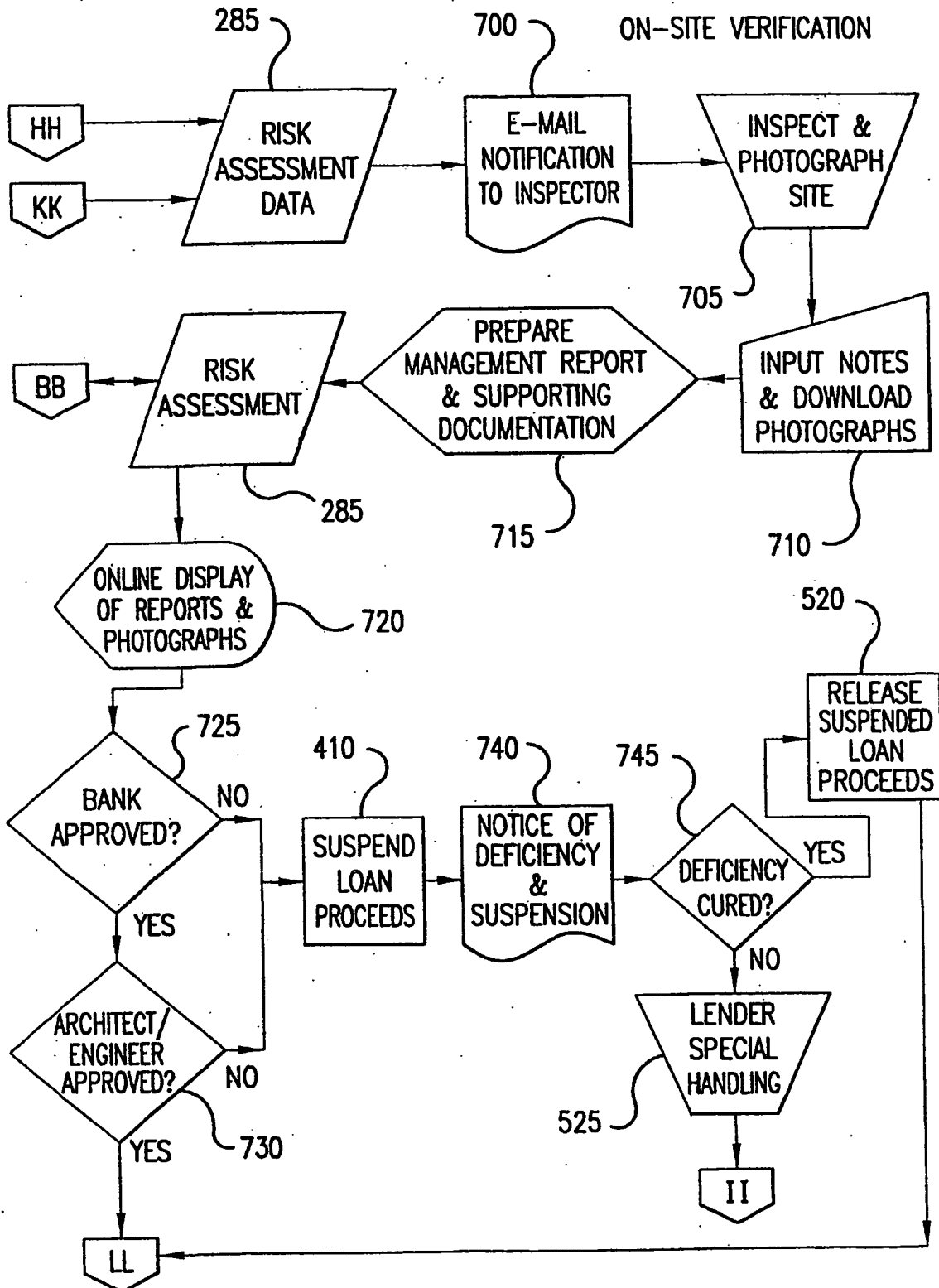
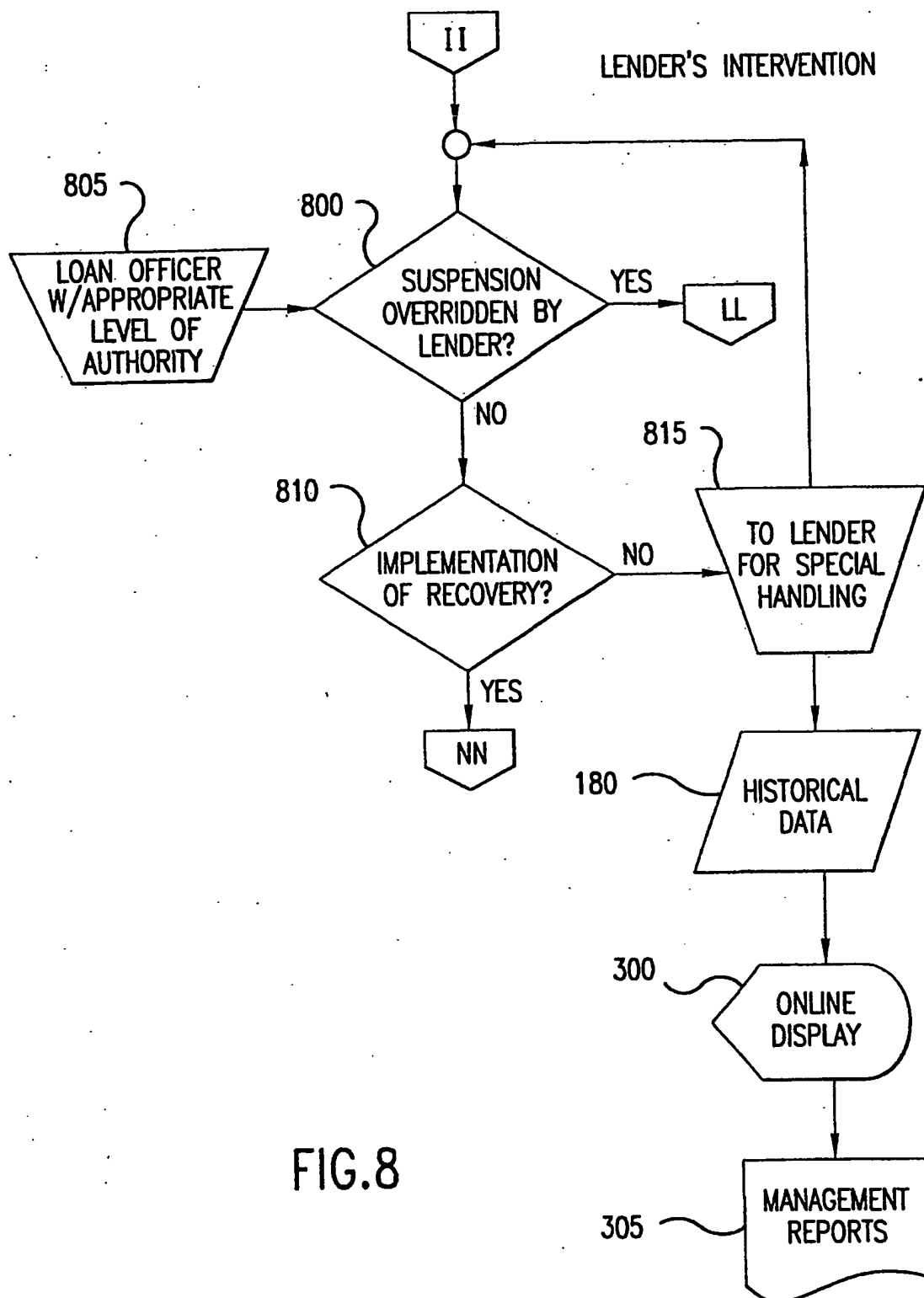
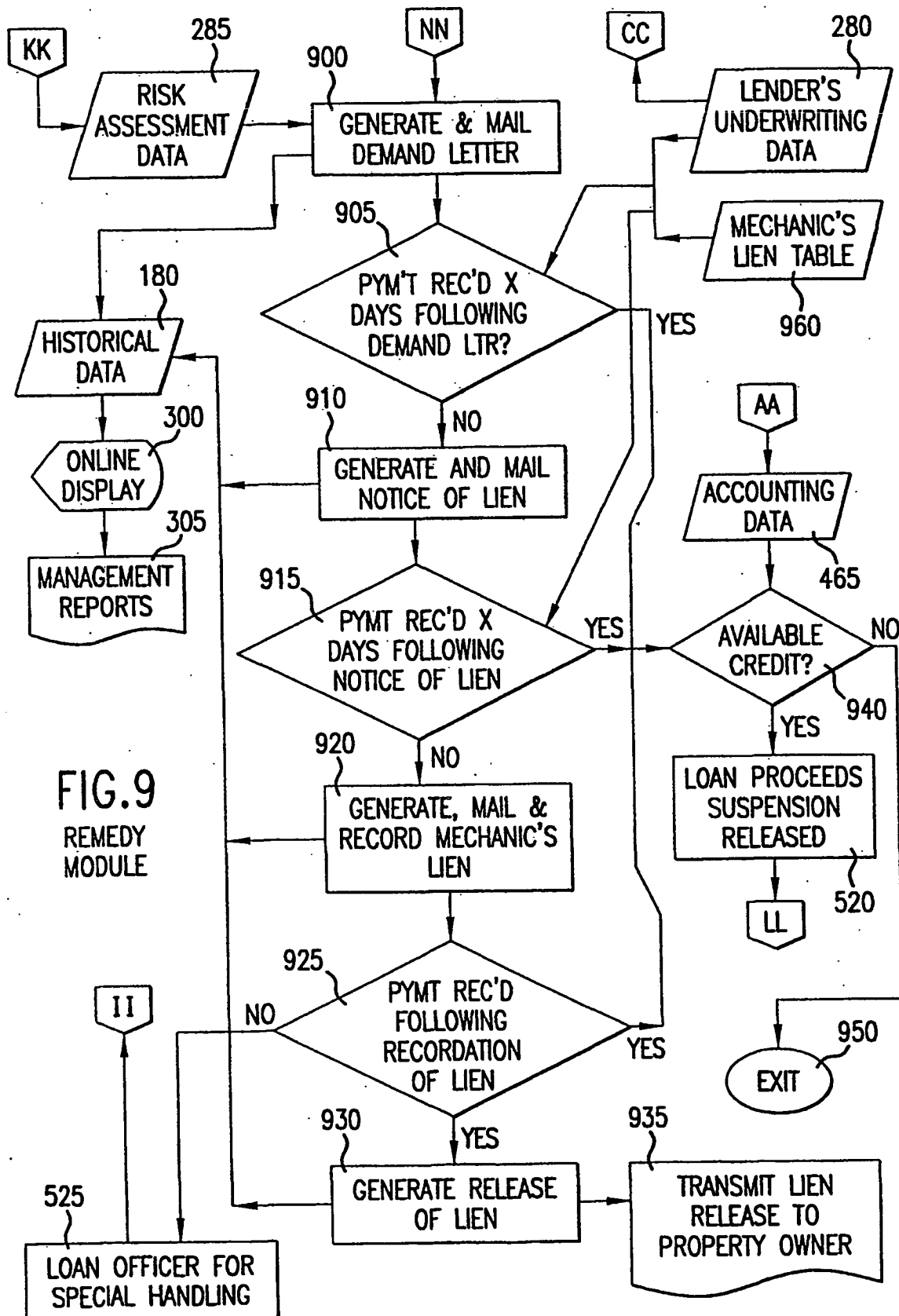


FIG.7







## INTERNATIONAL SEARCH REPORT

International application No.

PCT/US01/28642

<b>A. CLASSIFICATION OF SUBJECT MATTER</b>		
IPC(7) : G06F 17/60 US CL : 705/38		
According to International Patent Classification (IPC) or to both national classification and IPC		
<b>B. FIELDS SEARCHED</b>		
Minimum documentation searched (classification system followed by classification symbols) U.S. : 705/38		
Documentation searched other than minimum documentation to the extent that such documents are included in the fields searched		
Electronic data base consulted during the international search (name of data base and, where practicable, search terms used)		
<b>C. DOCUMENTS CONSIDERED TO BE RELEVANT</b>		
Category *	Citation of document, with indication, where appropriate, of the relevant passages	Relevant to claim No.
Y	US 6,112,190 A (FLETCHER et al) 29 August 2000 (29.08.2000), entire document.	1-36
Y	SINKEY, J. F., Commercial Bank Financial Management, Prentice Hall, 1998, pages 523-524.	1-36
<input type="checkbox"/> Further documents are listed in the continuation of Box C. <input type="checkbox"/> See patent family annex.		
<b>* Special categories of cited documents:</b>		
"A" document defining the general state of the art which is not considered to be of particular relevance	"T" later document published after the international filing date or priority date and not in conflict with the application but cited to understand the principle or theory underlying the invention	
"E" earlier application or patent published on or after the international filing date	"X" document of particular relevance; the claimed invention cannot be considered novel or cannot be considered to involve an inventive step when the document is taken alone	
"L" document which may throw doubts on priority claim(s) or which is cited to establish the publication date of another citation or other special reason (as specified)	"Y" document of particular relevance; the claimed invention cannot be considered to involve an inventive step when the document is combined with one or more other such documents, such combination being obvious to a person skilled in the art	
"O" document referring to an oral disclosure, use, exhibition or other means	"&" document member of the same patent family	
"P" document published prior to the international filing date but later than the priority date claimed		
Date of the actual completion of the international search 15 November 2001 (15.11.2001)		Date of mailing of the international search report 21 DEC 2001
Name and mailing address of the ISA/US Commissioner of Patents and Trademarks Box PCT Washington, D.C. 20231 Facsimile No. (703)-746-7239		Authorized officer Richard Fults Telephone No. 703-305-5416